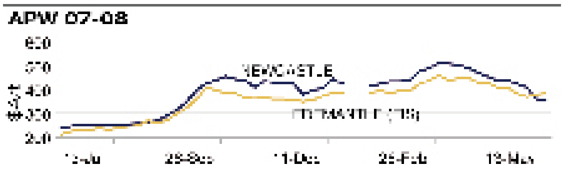
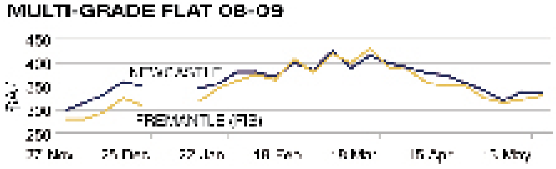
# Domestic grain outlook

## *Wheat* – A DOWN WEEK FOR WHEAT

International wheat futures suffered further heavy losses this week, slipping another 43US¢/bu, to 799US¢/bu. The slow pace of corn planting, reasonable demand activity and ongoing dryness in major southern hemisphere production areas limited losses. Futures are reflecting a 30–40 mt increase in production, so any sign of a crop problem globally could see a sharp price reversal. Despite the record crop estimate, the USDA is only foreshadowing a 14 mt, or 13%, lift in stocks, to 124 mt. Down-side pressure may ease up a little until southern hemisphere crops get away.

Locally, the big news (domestic old and new crop wheat markets have been pretty boring the past month) has been new crop basis springing to life. ASX new crop futures traded between A$330–360/t (with basis accounting for most of the movement), with the upper end building in a local drought premium. Much will depend on how widespread and significant the rain forecast for the east coast is over the next week.



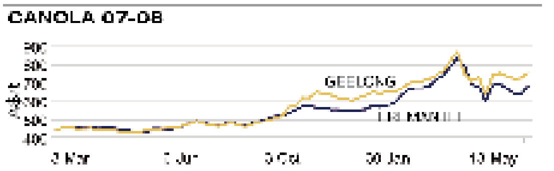



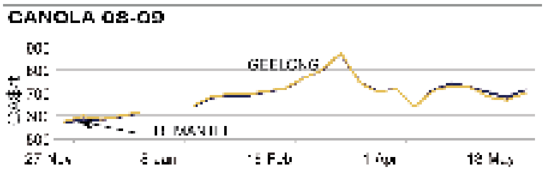

## *Canola* – GETTING INTERESTING AGAIN

US soybean prices surged this week – up 108US¢/bu, to 1339US¢/bu, after the USDA S&D reports reinforced that job production has to keep up with current rates of demand. Adding fuel to the buying frenzy were better corn planting weather and rumours that the farmers' strike in Argentina might extend beyond May 15.

Canola's gains were small in comparison, and limited by generally improving Canadian conditions, the rapid pace of planting, weak export demand and the strong $CA. Canadian canola futures put on CA$39/t for the week, to CA$659/t. *Oilworld* is talking about competitive pressure increasing, with the possibility of large Ukrainian, Canadian and Australian crops. Chinese production uncertainty remains, although they have not been active buyers.

In response, local new crop markets moved A$30–50/t higher, to A$690–730/t this week, with the largest gains in NSW. At the time of writing, new crop Jan 09 swaps were over A$720/t, which is making us think about sales.

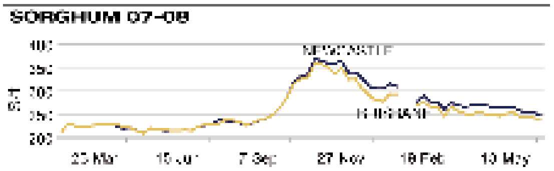


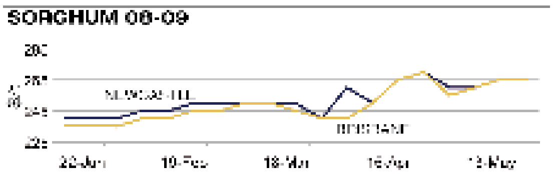




## *Sorghum* – BUYERS HOLD THE CARDS FOR NOW

Those long sorghum should be buoyed by the latest USDA report that suggests US corn stocks will fall to just 22 days' reserves by the end of the upcoming marketing year. To ensure that they did not panic the market, the USDA had to be quite conservative on some estimates (i.e., yield losses due to the wet and cold start) and they made deep cuts to feed and residual use (14%) and exports (16%). It is still very wet and cold across the US corn belt – just 11% of the crop has emerged (one-third of the five-year average). Corn prices look to be the bolter this year – unless something happens to fund interest.

While Japanese export interest has been very slow to date, these forecasts should not make them comfortable. Cheap offers out of Argentina should be treated with a grain of salt. Graincorp is steadily moving sorghum to port to take the pressure off up-country sites, and in readiness for some export business. Local prices remain under pressure as harvest moves into its final stages and local feeding demand remains subdued. Holding sorghum is now a punt on the weather, with $30–40/t upside possible.




## *Pulses* – BIG LIFTS IN AUSSIE PULSE PRODUCTION

Pulse Australia has released its planting forecasts and yield estimates for 2008 (see the members only section of www.profarmer.com.au for the full report). Area planted is similar to last year, but distribution by state differs dramatically, with NSW increased by 13% and other states steady or lower (VIC, QLD and SA).

Changes in the types of grains are significant, with notable increases in Kabuli plantings and modest increases in beans, but reductions in lentils and lupins. Planting estimates will change with timing of the break. Yields are expected to rebound and provide increased production across all pulse categories.

New crop field pea bids are steady to easier at $490/t port, with prices easing as strong northern hemisphere new crop prospects weigh on the market. Lentils are back above $900/t port. Chickpeas are bid at $645/t Newcastle equivalent for Desi, with prices expected to hold firm on strong Indian demand. Faba bean indications are in the $450/t port range.

**AUSTRALIAN PULSE PRODUCTION 2008-09**

| | 5-year avg (2002-2006) | | 2007/08 estimate | | 2008/09 forecast | | | |
|---|---|---|---|---|---|---|---|---|
| | Area (ha) | Prod'n (t) | Area (ha) | Prod'n (t) | Area (ha) | Prod'n (t) | % on per year | % on 5-year |
| Lupins | 714,840 | 756,256 | 453,700 | 330,600 | 424,500 | 595,250 | 41% | -27% |
| Field peas | 312,480 | 307,630 | 293,500 | 267,500 | 306,000 | 470,300 | 43% | 35% |
| Chick peas | 164,920 | 170,070 | 306,000 | 312,250 | 321,000 | 495,[illegible]50 | 37% | 66% |
| Lentils | 136,100 | 121,950 | 125,500 | 86,150 | 113,700 | 197,250 | 66% | 38% |
| Beans | 183,260 | 239,320 | 131,500 | 180,000 | 148,500 | 275,500 | 35% | 17% |
| Total | 1,511,600 | 1,585,265 | 1,314,200 | 1,157,200 | 1,313,700 | 2,032,750 | 43% | 22% |

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